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EU-27

Potatoes and Potato Products Annual

Annual Market & Competitor Report

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Report Highlights:
Due to lower production of ware potatoes, EU exports of frozen potato products for MY12/13 are expected to be somewhat lower. This can create additional opportunities for U.S. products in export markets like Japan, Australia, Saudi Arabia, the UAE and Brazil.

Executive Summary

Ware potato production in 2012 is expected to decrease in Europe. Given a stable demand from the fresh market, the output of potato products for MY12/13 is also expected to be slightly lower than in the previous marketing year. Subsequently, EU exports for MY12/13 are also expected to be somewhat lower, which can create additional opportunities for U.S. products in export markets like Japan, Australia, Saudi Arabia, the UAE and Brazil.

Report

This Potatoes & Potato Products report is an Annual Market & Competitor report. For the purpose of this report, the focus is on potato production and processing in the Netherlands, Belgium, France, Germany and Poland and on EU-27 exports of Frozen Potato Products (HS 200410). Valuable contributions were made from the following Foreign Agricultural Service analysts:

Xavier Audran	FAS/Paris covering France
Tania DeBelder	USEU/FAS Brussels covering EU policy
Mira Kobuszynska	FAS/Warsaw covering Poland
Marcel Pinckaers	FAS/The Hague covering the Netherlands and Belgium
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I. Policy

Fruit and vegetables were incorporated in the Single Common Market Organization (CMO) (Regulation 361/2008) during the reform of the Common Agricultural Policy (CAP). However, potatoes for human consumption are only covered by the Single Common Market Organization (CMO) with regard to the standard rules on state aids.

Under the last CAP reform in 2007, the EU has moved away from production-related single area payments and all payments are decoupled from fruit and vegetable production. Potato operators may benefit from the CAP promotion and quality schemes. The CAP is due to be changed by 2013. For information on the CAP after 2013, please see: http://ec.europa.eu/agriculture/cap-post-2013/index_en.htm. The DG Sanco webpage about potatoes can be found at: http://ec.europa.eu/agriculture/markets/potato/index_en.htm

II. Ware Potato Production

Within this section the focus is on potato production in the 5 largest EU exporting countries of frozen potato products: the Netherlands, Belgium, France, Germany and Poland. For 2012, their combined production of ware potatoes is expected to be down by 10 percent compared to last year's record high production. Total production of above countries is expected to be similar to total production in 2010. With a rather stable market for fresh consumption there will be fewer potatoes available for further processing compared to last year.

The Netherlands

The production of ware potato in the Netherlands for 2012 is expected at 3.3 MMT. Potato acreage is estimated to be 7 percent lower than 2011, mainly as a result to low potato prices last year. Yields are also expected to be lower by a similar percentage this year. The latter is the result of a cold and rainy growing season through mid August. The quality, size and dry matter content are expected to be average.

Table 1: Ware potato production in the Netherlands, MT

	*2009	*2010	*2011	**2012
The Netherlands	3,646,468	3,546,049	3,857,284	3,338,726

Source: CBS Bureau of Statistics, Product Board Arable Products

* Revised figures

** FAS/The Hague Forecast

Belgium

The production of ware potato in Belgium for 2012 is expected at almost 3.5 MMT. Potato acreage is estimated to be over 7 percent lower than 2011, also as a result to very low potato prices last year. In addition, yields are expected to be lower by more than 10 percent. Roughly half of this year's acreage was planted late given the cold and wet spring. Late planting in combination with an unfavorable rainy growing season will result in low yields.

Table 2: Ware potato production in Belgium, MT

	*2009	*2010	*2011	**2012
Belgium	3,276,273	3,600,979	4,150,000	3,454,500

Source: PCA Research Center Potato Production, NIS National Institute for Statistics
* Revised figures
** FAS/The Hague Forecast

Poland

In 2012, the acreage of potato cultivation in Poland decreased by 3 percent compared to previous year and amounted to 395,000 hectare. Low profitability of potato production last year resulted in this decline. Yield is expected to be at 24 MT per hectare. This record high yield is the result of excellent weather conditions during the growing season. As a result Poland is expecting a very good potato crop this year, estimated at 9.5 MMT of which almost half is ware potatoes.

Table 3: Ware potato production in Poland, MT

	*2009	*2010	*2011	**2012
Poland	4,077,000	3,891,000	4,100,000	4,300,000

Source: Main Statistical Office
* Revised figures
** FAS/Warsaw Forecast

France

At 5.0 MMT, the 2012 French ware potato harvest is down by 10 percent from 2011 because of a stable acreage combined with a lower yield. The latter is due to poor weather conditions throughout the growing season, especially a very wet early summer which boosted mildew disease. Quality is reported to be below average with more small sized potatoes.

Table 4: Ware potato production in France, MT

	2009	*2010	*2011	**2012
France	5,356,597	4,990,872	5,687,880	4,996,000

* Revised figures
** FAS/Paris Forecast

Germany

Total ware potato production in 2012 is forecast to decrease to 6.8 MMT, down by 10 percent, due to lower acreage. German farmers expect average yields this year.

Table 5: Ware potato production in Germany, MT

	*2009	*2010	*2011	**2012
Germany	7,100,000	6,700,000	7,500,000	6,800,000

Source: German Statistics Office, FAS Berlin
* Revised figures

** FAS/Berlin Forecast

III. Potato Processing

The Netherlands

In the Netherlands, almost 2.4 MMT Dutch potatoes were used for further processing during MY 11/12. In addition, over 1.1 MMT potatoes were imported to fully utilize the processors' capacity. For MY 12/13, total output of potato products is expected to be similar to last year as it is mainly driven by the processing capacity. The frozen pre-fried potato products (mainly fries) industry in both Belgium and the Netherlands is strongly focused on export markets outside the EU-27.

Table 6: Dutch output of Potato Products, 1,000 MT

	MY 09/10	MY 10/11	*MY 11/12	**MY 12/13
Frozen pre-fried potato products	1,442	1,447	1,491	1,450
Other products	404	395	392	390
Total	1,846	1,842	1,883	1,840

Source: Product Board Arable Products
* Revised figures
** FAS/The Hague Estimates

Belgium

Last year, Belgium processed almost 3.5 MMT of potatoes, yielding 1.8 MMT of product. The output of pre-fried potato products totaled over 1.1 MMT (product weight). Although 2011 harvest was abundant, the industry expects the output for this year to be lower corresponding to the lower ware potato production this year.

Table 7: Belgian output of Potato Products, 1,000 MT

	CY 09	CY 10	*CY11	**CY12
Frozen pre-fried potato products	990	1,093	1,133	1,050
Other products	528	614	685	600
Total	1,517	1,707	1,818	1,650

Source: Belgapom Belgian potato trade and processing organization
* Revised figures
** FAS/The Hague Estimates

Poland

Since Poland is a fresh potato market, production of processed products has traditionally been low. Over the past three years in Poland, production of frozen potato products has been showing an upward trend. This trend is expected to continue as potato processors want to fully utilize existing capacity and international demand is growing. This year production is expected to be up by almost 7 percent compared to last year.

Table 8: Poland output of Potato Products, 1.000 MT

	CY 09	CY 10	CY11	*CY12
Frozen pre-fried potato products	161.3	178.4	173.5	185.0
Chips	75.5	72.9	66.5	68.0
Dry potato	15.1	14.7	15	16.0
Potato starch	100.9	76.9	111.0	115.0

Source: The Main Statistical Office Poland
*FAS/Warsaw Forecast

France

In 2011, 1.1 MMT of potatoes were processed in France, yielding close to 550,000 MT of potato products, of which 61 percent are frozen products (mainly fries), 17 percent dehydrated product, 12 percent for chips and 10 percent other products. Production of potato products is expected to remain stable.

Table 9: French output of Potato Products, 1.000 MT

	CY 10	CY11	*CY12
Frozen pre-fried potato products	350	336	340
Other products	200	214	215
Total	550	550	555

Source: The Main Statistical Office Poland
*FAS/Paris Forecast

Germany
German processing of potatoes for food products is gradually increasing at the expense of fresh consumption. This trend will continue in MY 12/13. In MY 11/12 the production of potato products totaled round about 3.2 MMT.

Table 10: German output of Potato Products, 1,000 MT

	MY 09/10	MY 10/11	*MY 11/12	*MY 12/13
Frozen pre-fried potato products	1,000	900	1,000	900
Other products	2,250	2,200	2,250	2,200
Total	3,250	3,100	3,250	3,100

Source: ZMP Market Balance and AMI – Agrarmarkt-Informationsgesellschaft
* FAS/Berlin Forecast

IV. EU-27 Frozen Potato Products Exports and Outlook
EU trade in frozen potato products, mainly fries, is still dominated by trade between the EU member states. Export to third markets continues to grow and represented almost a quarter of total exports during MY 2011/2012. EU-27 exports of frozen potato products to non-EU countries doubled in past three years. The main markets outside the EU-27 include Saudi Arabia, Brazil, Russia and Australia covering over 40 percent of total exports to third markets. Other growth markets are to be found in the Middle East, Latin America and Asia.

Table 11: EU-27 Exports of Frozen Potato Products, MT

	MY 08/09	MY 09/10	MY10/11	MY11/12
World	3,086,302	3,365,946	3,671,710	3,771,491
EU-27	2,646,292	2,729,423	2,964,967	2,884,674
Non-EU 27	440,010	636,523	706,743	886,817
-Saudi Arabia	73,994	75,255	108,417	133,579
-Brazil	34,788	113,011	109,479	125,261
-Russia	57,631	59,710	66,758	75,811
-Australia	28,676	22,201	29,972	54,400
-Chile	13,223	22,556	27,275	34,033
-United Arab Emirates	18,017	25,568	27,372	32,555
-Malaysia	15,358	20,895	23,183	27,615
-South Africa	4,971	35,337	30,156	24,605
-Kuwait	10,653	17,765	18,235	23,679
-Japan	13,605	16,481	14,913	18,167
-Other	169,094	227,744	250,983	337,112

Source: Global Trade Atlas

Within the EU-27, the Netherlands is the leading exporter of frozen potato products, followed closely by Belgium. In MY 11/12, Netherlands' exports to third markets totaled 357,620 MT, up by 15 percent, while Belgium's exports totaled 318,017 MT, up by 28 percent. Together, they are responsible for over three quarter of total EU-27 exports. Their combined leading export markets continue to be Brazil and Saudi Arabia, while exports to Australia almost doubled.

Poland, France and Germany are also active on the export market, exporting respectively 83,771 MT, 75,527 MT and 43,832 MT. Polish exports continue to increase year after year and primarily due to growing demand from third countries. Due to its geographical location and further developing fast food and HRI industry, Poland is the leading EU supplier to Russia. Also Ukraine, Croatia, Serbia and Belarus continue to be strong export destinations.

France's exports to third markets more than doubled last year and its main export market continues to be Saudi Arabia and Brazil. German exports were up mainly due to the large potato harvest in 2011. Shipments to third countries in MY 11/12 jumped by over 40 percent to almost 44,000 MT compared to MY 10/11. EU exports to the U.S. quadrupled last year. Last year's lower prices, euro and freight prices, made EU product competitive on the U.S. market while prices in the U.S. were somewhat higher given the lower local availability.

Export opportunities for EU frozen pre fried potato products are primarily determined by developments of the HRI sector (mainly fast food) in target markets. As a result, EU exporters have been able to profit from growing demand in emerging markets in South East Asia, Middle East and Latin America. The further development of these economies offers additional opportunities.

Price of the finished products, freight costs and exchange rate continue to impact trade opportunities as well. High prices currently paid in North-West Europe for ware potatoes, confirms the expectation that this year's potato harvest will be lower. It is however also important to mention that about half of potatoes are sold against day prices. The remaining are sold under contact which means that early in the year, farmers negotiate with processors about the quantity, price and other conditions under which they are selling potatoes. EU trade has benefitted from lower freight costs due to overcapacity in freight shipping and this is expected to continue in MY 12/13.

Given the lower ware potato harvest, the industry expects to produce less but good quality fries for export markets. As there is stable demand for potato products within the EU, it is expected that there will be somewhat less product available for third markets in MY12/13. Since Poland is expecting more finished product this year, exports to Russia are expected to be up in MY 12/13. Exporting to Brazil might become more difficult as Brazil (and possibly the other Mercosur countries) is proposing to increase the import tariffs on potato products to 25 percent. Finally, the Netherlands and Belgium will continue to dominate EU exports of potato products.

Previous reports from FAS/The Hague on this subject can be found on http://www.fas.usda.gov/scriptsw/attacherep/default.asp. Below you will find a selection of related reports from FAS/The Hague and other FAS Posts.

Report Number	Report Title	Date Released
NL9034	EU Potato Products Annual	12/22/2009
NL0025	EU Potato Products Annual	10/22/2010
NL1020	EU Potato Products Annual	10/03/2011

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